

Message Text

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72

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 SS-15 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 AGR-20 NSC-10

PA-03 PRS-01 USIA-15 RSR-01 /168 W

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R 031545Z AUG 73

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 7434

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EAGR EEC DA

SUBJ: VISIT OF EC COMMISSIONER LARDINOIS

REF: COPENHAGEN 1792

SUMMARY: IN DISCUSSIONS WITH DANISH AGMINISTRY, LARDINOIS
MADE CLEAR THAT COMMISSION INTENDS TO SUBMIT PROPOSALS FOR
CAP REFORM TO SEPTEMBER MEETING OF EC AGRICULTURE MINISTERS
BUT THAT THESE PROPOSALS WOULD BE MILD AND FOCUSED PRINCIPALLY
ON REDUCING RISING FEOGA COSTS. HE SUGGESTED SEVERAL AREAS
IN WHICH CORRECTIVE MEASURES COULD BE TAKEN, PRINCIPALLY IN
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REDUCING INCENTIVES FOR EXCESS BUTTER AND WHEAT PRODUCTION AND
IN LIMITED INCREASE OF DEFICIENCY-TYPE PAYMENTS ON COMMODITIES
WHERE THIS TECHNIQUE WOULD BE USEFUL IN MEETING OVERALL COST-
CUTTING OBJECTIVES. HE WAS REALISTIC ABOUT CHANCES FOR ADOPTION

OF EVEN THE MILD REFORM MEASURES THAT COMMISSION INTENDS TO INTRODUCE BUT FELT THAT DISCUSSION OF ISSUES WOULD AT LEAST BE HELPFUL PREPARATION FOR BOTH DECISIONS ON NEW CAP SUPPORT PRICES FOR COMING YEAR. BOTH LARDINOIS AND DANES FELT PROTEIN FEED SITUATION WAS IN HAND, ALTHOUGH LARDINOIS THOUGHT THAT SOME KIND OF LOW-KEY EC INCENTIVE PROGRAM MAY BE NECESSARY TO ENCOURAGE PRODUCTION OF PROTEIN FEEDS. DANES AGREED WITH LARDINOIS ON NEED TO OBTAIN EC MANDATE FOR INTERNAL SUGAR AGREEMENT MEETING IN SEPTEMBER. PROBLEM OF DIVERGENCES FROM CAP RULES OF RECENT DANISH AGRICULTURAL LEGISLATION WAS JUDGED SOLUBLE BY PRACTICAL MEANS. END SUMMARY

1. AGRICULTURE DEPUTY UNDER SECRETARY KRISTENSEN PROVIDED ECONCOM OFFICER FOLLOWING HIGHLIGHTS OF LARDINOIS DISCUSSIONS WITH AGRICULTURE, INCLUDING COMMENTARY ON LARDINOIS JULY 31 PRESS CONFERENCE (REFTEL).

2. REFORM OF CAP. THIS WAS PRINCIPAL ITEM OF DISCUSSION. LARDINOIS WAS INTERESTED IN DANISH VIEWS AND EXPERIENCES REGARDING AGRICULTURAL PROGRAMS. HE ALSO DISCUSSED STILL VERY TENTATIVE IDEAS OF COMMISSION ON CAP REFORM WHICH COMMISSION IS TO SUBMIT TO EC AGRICULTURE AT COUNCIL MEETING SEPTEMBER 24-25. HE MADE CLEAR THAT, WHILE A NUMBER OF STUDY PAPERS ARE FLOATING ABOUT WITHIN COMMISSION, IT DOES NOT YET HAVE PRECISE IDEAS ON PROPOSALS THEY WILL SUBMIT. LARDINOIS BELIEVED, HOWEVER, THAT, PARTICULARLY IN VIEW OF INCREASING COSTS OF FEEDS, IT IS POLITICALLY ESSENTIAL TO TAKE SOME STEPS, ALBEIT PROBABLY MODEST ONES, TOWARD GREATER RATIONALIZATION OF CAP. HE FELT ACTIONS MUST BE TAKEN IN FOLLOWING AREAS:

(A) DO SOMETHING ABOUT RISING BUTTER SURPLUSES, PROBABLY BY FURTHER CHANGING FAT-PROTEIN VALUE RATIO FROM PRESENT 60-40 TO 50-50, THEREBY REDUCING INTERVENTION PRICE OF BUTTER AND PROVIDING MILD ENCOURAGEMENT TO SKIM-MILK POWDER AND CHEESE PRODUCTION. DANES WERE NOT CONVINCED SUCH ACTION WOULD HAVE MUCH EFFECT BUT AGREED (PARTICULARLY BECAUSE OF THEIR RECENT EXPERIENCE IN HEAVY INTERVENTION PURCHASES OF BUTTER) THAT SOMETHING MUST BE LIMITED OFFICIAL USE
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DONE ABOUT BUTTER.

(B) DO SOMETHING ABOUT OVER PRODUCTION OF WHEAT WHICH RESULTS IN COSTLY AND INEFFICIENT DENATURING OF SURPLUS. NO SPECIFIC STEPS WERE SUGGESTED BEYOND LOOKING AT WAYS OF RATIONALIZING SUPPORT PRICES BETWEEN WHEAT ON ONE SIDE AND BARLEY AND CORN ON THE OTHER.

(C) CONSIDER EXPANDING USE OF DEFICIENCY-TYPE PAYMENT TECHNIQUE FOR COMMODITIES WHERE TOTAL RELIANCE ON PRICE SUPPORT WOULD NOT MEET OBJECTIVES AND EXCESSIVELY RAISE PRICES.

3. MEAT PRODUCTION. KRISTENSEN SAID LARDIONIS DID NOT RAISE "MILK/MEAT DILEMMA" AT AGMINISTRY DISCUSSION IN QUITE THE SIMPLE WAY HE DID AT PRESS CONFERENCE (REFTEL). NEED FOR INCREASE IN MEAT PRODUCTION WAS RELATED IN PART TO WHOLE-MILK FAT-PROTEIN PROBLEM AS WELL AS TO SURPLUS WHEAT PRODUCTION, PROTEIN FEED SITUATION AND STEPS CURRENTLY BEING TAKEN TO ENCOURAGE FARMERS TO MOVE FROM DAIRY TO MEAT CATTLE. BUT, THERE WAS GENERAL UNDERSTANDING THAT NO DRAMATIC MOVES ARE POSSIBLE IN ANY OF THESE AREAS IN SHORT RUM.

4. PROSPECTS FOR CAP REFORM. DANES AGREED WITH LARDINOIS THAT CURRENT EFFORTS AT CAP REFORM MUST FOCUS ON RATIONALIZATION OF OBVIOUS DISTORTIONS WITH PRINCIPAL OBJECTIVE OF REDUCING FEOGA COSTS. BEYOND THAT, PRINCIPLES AND MECHANISMS OF CAP CANNOT BE TOUCHED. LRDINOIS WAS REALISTIC ABOUT CHANCES OF EVEN A MILD REFORM BEING ADOPTED THIS YEAR. COMMISSION WOULD HAVE TO RUSH TO GET ITS PROPOSALS TOGETHER IN TIME FOR SEPTEMBER 24-25 MEETING OF AGRICULTURAL MINISTERS. MINISTERS, IN TURN, ARE NOT LIKELY TO REACH ANY DECISIONS AT SEPTEMBER MEETING AND THERE IS GOOD POSSIBILITY THAT DEBATE MAY DRAG ON FOR MONTHS TO COME. AT MINIMUM, CONSIDERATION OF CAP REFORMS PROPOSALS WOULD BE USEFUL BACKGROUND FOR DECISIONS NECESSARY EARLY NEXT YEAR ON SUPORT PRICES FOR FOLLOWING CAP YEAR.

5. INTERNATIONAL SUGAR AGREEMENT (ISA). DANES TOLD LARDINOIS THAT DENMARK FINDS COMMISSION PROPOSAL FAIR (THOUGH POSSIBLY CAUSING SOME PROBLEMS FOR DANISH SUGAR PRODUCERS) AND THAT DENMARK AGREES WITH COMMISSION ON NEED FOR EC TO CONTINUE TO PARTICIPATE IN ISA. BOTH DANES AND LARDINOIS
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WERE MILDLY OPTIMISTIC ABOUT CHANCES OF OBTAINING EC NEGOTIATING MANDATE IN TIME FOR OPENING OF GENEVA ISA MEETING IN SEPTEMBER, ALTHOUGH DELAY OF WEEK OR TWO MAY BE MORE LIKELY.

6. PROTEIN FEED SITUATION. MOST OF DISCUSSION ON THIS SUBJECT WAS FOLDED INTO CONSIDERATION OF CAP REFORM MEASURES. LARDINOIS THOUGHT EC SHOULD BETTER WAIT UNTIL PRESENT SHORT-RUN EXCITEMENT OVER US SOYBEAN ACTIONS DIES DOWN BEFORE NEW PROGRAMS ARE CONSIDERED. WHILE HE FELT THAT CONCERNS ABOUT PROTEIN FEED SHORTAGES NOW SEEM TO HAVE BEEN EXAGGERATED, HE THOUGHT IT WOULD BE NECESSARY TO DO SOMETHING WITHIN COMMUNITY, PERHAPS OFFERING PRODUCTION SUBSIDY TO ENCOURAGE FARMERS TO SHIFT MORE ACREAGE INTO PROTEIN CROPS THAN IS BEING ACHIEVED UNDER THE OILSEED CAP. DANES DO NOT SEE NEED FOR SUCH A PROGRAM, BUT DID NOT PUSH THEIR IDEAS BECAUSE LARDINOIS APPEARED, IN ANY CASE, TO BE MORE CONCERNED ABOUT CEREAL THAN PROTEIN SITUATION.

6. DANISH AGRICULTURAL ACTS CONTRARY TO CAP. DISCUSSION CENTERED AROUND THREE PIECES OF DANISH LEGISLATION RUSHED

THROUGH PARLIAMENT THIS YEAR JUST BEFORE SUMMER RECESS WHICH, UNDER
STANDING RULES, REQUIRED BRUSSELS CONSULTATIONS FIRST. KRISTENSEN
SAID ISSUE IS NOT SERIOUS ONE AND IT WAS AGREED WITH LARDINOIS
THAT A PRACTICAL SOLUTION WAS WITHIN REACH.
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BRUSSELS
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